

**R590. Insurance, Administration.**

**R590-251. Preneed Life Insurance Minimum Standards For Determining Reserve Liabilities And Nonforfeiture Values Rule.**

**R590-251-1. Authority.**

This rule is promulgated by the commissioner of insurance pursuant to Subsections 31A-2-201(3), 31A-17-402(1), and 31A-22-408(11).

**R590-251-2. Purpose and Scope.**

(1) The purposes of this rule for preneed life insurance products are to:

(a) establish minimum mortality standards for reserves and non-forfeiture values; and

(b) require the use of the 1980 Commissioners Standard Ordinary (CSO) Life Valuation Table for use in determining:

(i) reserve liabilities; and

(ii) nonforfeiture values.

(2) This rule applies to preneed insurance contracts, as defined in Section R590-251-3, and to similar policies and certificates as determined by the commissioner.

**R590-251-3. Definitions.**

In addition to the definitions in 31A-1-301 the following definitions shall apply for the purposes of this rule.

(1)(a) "2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, and adopted by the NAIC in December 2002.

(b) The 2001 CSO Mortality Table is included in the Proceedings of the NAIC, 2nd Quarter 2002.

(c) Unless the context indicates otherwise, the 2001 CSO Mortality Table includes:

(i) the ultimate form of that table;

(ii) the select and ultimate form of that table;

(iii) the smoker and nonsmoker mortality tables; and

(iv) the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables.

(2) "Ultimate 1980 CSO" means the Commissioners' 1980 Standard Ordinary Life Valuation Mortality Tables (1980 CSO) without ten-year (10-year) selection factors, incorporated into the 1980 amendments to the NAIC Standard Valuation Law approved in December 1983.

(3) Preneed insurance contract means any life insurance policy or certificate that is issued in combination with, in support of, with an assignment to, or as a guarantee for a prearrangement agreement for goods and services to be provided at the time of and immediately following the death of the insured.

(a) Goods and services may include, but are not limited to embalming, cremation, body preparation, viewing or visitation, coffin or urn, memorial stone, and transportation of the deceased.

(b) The status of the policy or contract as preneed insurance is determined at the time of issue in accordance with the policy form filing.

(4) The tables identified in Subsections R590-251-3(1) and R590-251-3(2) are hereby incorporated by reference within this rule and are available for public inspection at the Insurance Department during normal business hours.

#### **R590-251-4. Minimum Standards.**

This section sets minimum standards for determining reserve liabilities and nonforfeiture values for policies subject to the rule.

(1) Mortality. The mortality used in determining the minimum standard for valuation and the minimum standard for nonforfeiture values for both male and female insureds shall be the Ultimate 1980 CSO.

(2) Interest rates.

(a) The interest rates used in determining the minimum standard for valuation shall be the calendar year statutory valuation interest rates as defined in 31A-17-506.

(b) The interest rates used in determining the minimum standard for nonforfeiture values shall be the calendar year statutory nonforfeiture interest rates as defined in 31A-22-408.

(3) Methods.

(a) The method used in determining the minimum standard for valuation shall be the method defined in 31A-17, Part 5, Standard Valuation Law.

(b) The method used in determining the minimum standard for nonforfeiture values shall be the method defined in 31A-22-408.

#### **R590-251-5. Transition Rules.**

(1) For policies subject to this rule issued before January 1, 2012, the 2001 CSO may be used as the minimum mortality standard for valuation and minimum mortality standard for nonforfeiture values for both male and female insureds.

(2) If an insurer elects to use the 2001 CSO as a minimum mortality standard for any policy subject to this rule issued before January 1, 2012, the insurer shall provide, as a part of the actuarial opinion memorandum submitted in support of the company's asset adequacy testing, an annual written notification to the domiciliary commissioner. The notification shall include:

(a) A complete list of all policy forms that use the 2001 CSO as a minimum mortality standard;

(b) A certification signed by the appointed actuary stating that the reserve methodology employed by the company in determining reserve liabilities for the policies subject to this rule and using the 2001 CSO as a minimum mortality standard, develops adequate reserves; and

(c) Supporting information regarding the adequacy of reserves for policies subject to this rule and using the 2001 CSO as a minimum mortality standard for reserve liabilities.

(3) For the purpose of the certification required under Subsection R590-251-5(2)(b), the policies subject to this rule

and using the 2001 CSO as a minimum mortality standard cannot be aggregated with any other policies.

(4) Policies subject to this rule issued on or after January 1, 2012, must use the Ultimate 1980 CSO in the calculation of minimum reserve liabilities and minimum nonforfeiture values.

**R590-251-6. Effective Date.**

This rule applies to policies issued on or after January 1, 2009.

**R590-251-7. Penalties.**

A person found, after a hearing or other regulatory process, to be in violation of this rule shall be subject to penalties as provided under 31A-2-308.

**R590-251-8. Enforcement Date.**

The commissioner will begin enforcing this rule 45 days from the rule's effective date.

**R590-251-9. Severability.**

If any provision of this rule or its application to any person or circumstance is, for any reason, held to be invalid, the remainder of this rule and its application to other persons and circumstances are not affected.

**KEY: preneed life insurance standards**

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**31A-2-201, 31A-17-402, 31A-22-408**